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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 BIB-01 SAJ-01 FEA-01 EB-07 TRSE-00

COME-00 OES-03 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

ACDA-05 NIC-01 /086 W
---------- 006127
R 271403Z MAR 75
FM AMEMBASSY SOFIA
TO SECSTATE WASHDC 9379
INFO AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY BERLIN
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY WARSAW

C O N F I D E N T I A L SOFIA 0563

E.O. 11652: GDS
TAGS: ENRG, ETRD, COMECON, EEWT, PFOR, BU, UR
SUBJECT: OIL PRICE RISES AND SOVIET-BULGARIAN TRADE

REF: A) SOFIA 2016; B) BUDAPEST 0706; C) SOFIA 450

1. SINCE NO INFORMATION HAS BEEN AVAILABLE FROM BULGARIAN SOURCES ON 1975 PRICE RISES FOR COMMODITIES IMPORTED FROM USSR, I DECIDED TO INQUIRE FROM SOVIET AMBASSADOR BAZOVSKII WHO WITHIN LIMITS HAD BEEN QUITE FORTHCOMING LAST NOVEMBER. IT WILL BE RECALLED (REF A) THAT IT WAS BAZOVSKII WHO ON THAT EARLIER OCCASION FIRST REVEALED CONCEPT OF "MOVING AVERAGES" ON PRICES TO BE CHARGED TO CEMA COUNTRIES.

2. BAZOVSKII SAID BULGARIA WILL PAY SAME INCREASED OIL PRICES AS OTHER CEMA COUNTRIES, EXCEPT FOR DIFFERENCES IN TRANSPORTATION COSTS (36 INSTEAD OF 37 RUBLES AS IN THE CASE
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OF HUNGARY AND CZECHOSLOVAKIA). HOWEVER, HE MAINTAINED THIS

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WOULD ENTAIL NO HARDSHIP SINCE BOTH PRICES OF COMMODITIES IMPORTED FROM USSR AND THOSE OF GOODS EXPORTED BY BULGARIA TO USSR WOULD BE INCREASED. MATTER HAD BEEN UNDER NEGOTIATION FOR SOME TIME, AND WAS MOST RECENTLY DISCUSSED BY BREZHNEV IN BUDAPEST. "OBVIOUSLY, PRICE RISES WERE NOT GREATLY WELCOMED BY OUR FIRENDS".

3. ESSENTIAL FACT, BAZOVSKII CLAIMED, IS THAT USSR-BULGARIAN TRADE WOULD CONTINUE TO BE IN BALANCE. VARIOUS QUESTIONS TO ELICIT WHETHER THIS WOULD REQUIRE GREATER EFFORT ON THE PART OF BULGARIA ELICITED THESE ANSWERS: (1) NO, WHILE TRADE WILL CONTINUE TO RISE, "THE PROPORTION OF VOLUME OF TRADE WILL REMAIN THE SAME"; (2) YES, BULGARIA AND OTHER CEMA COUNTRIES INTERESTED IN INCREASED OIL AND GAS DELIVERIES OVER COMING YEARS "ARE ASKED TO PAY MORE IN THE FORM OF INVESTMENTS".

4. BAZOVSKII DISMISSED REPORTS ABOUT REVALUATION OF LEV VIS-A-VIS RUBLE (REF B) AS CERTAINLY INACCURATE. THERE HAD ONLY BEEN MINOR ADJUSTMENT IN TOURIST RATE, AND NO CHANGE IN OFFICIAL RATE IS EXPECTED. ASKED TO EXPLAIN HOW BULGARIANS (REF C) COULD LIFT RESTRICTIONS ON USE OF GASOLINE, I.E., IN EFFECT LOWER PRICE TO CONSUMERS AT TIME OF RISING PRICES, HE OFFERED NO EXPLANATION. HE DID SAY THAT USSR WOULD DELIVER 9.5 MILLION TONS OF OIL TO BULGARIA IN 1975 AS AGAINST 9 MILLION LAST YEAR. HOWEVER, HE ESTIMATED TOTAL BULGARIAN PETROLEUM CONSUMPTION AT SEVERAL MILLION TONS MORE PER YEAR.

5. THE SAME EVENING I PUT SAME QUESTION TO DEPUTY MINISTER OF TRADE LUKANOV. HE SAID BULGARIA IS IN ENVIABLE POSITION OF HAVING VERY ELASTIC DEMAND FOR GASOLINE. AT THE HIGHER PRICES THE CONSUMPTION HAD DROPPED TO THE POINT WHERE NOT ALL THE AVAILABLE GAS COULD BE SOLD. HE ALSO CLAIMED THAT OIL IMPORTS FROM NON-SOVIET SOURCES WERE ONLY OF SPECIAL OILS REQUIRED FOR CHEMICAL AND PETROCHEMICAL INDUSTRY, IMPLYING THAT AT THE HIGHER PRICES SOME OF THE AVAILABLE SOVIET OIL HAD BEEN PILING UP. WHILE INTERESTING, THIS SEEMS AN IMPLAUSIBLE EXPLANATION.
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